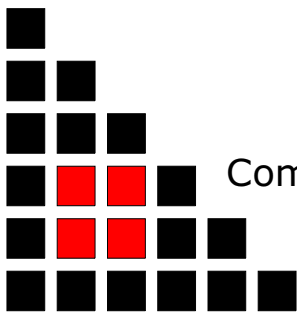


# City of Lake Preston HOUSING STUDY

August 2021

An analysis of the overall housing needs  
of the City of Lake Preston



Community Partners Research, Inc.  
Faribault, MN

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# Introduction

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Lake Preston and Kingsbury County are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., has been hired by the Lake Preston Economic Development Corporation to complete a Comprehensive Housing Study for the community.

## Goals

The multiple goals of the study include:

- ▶ Provide current demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

## Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from April to June, 2021. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographical Solutions, Inc., a private data reporting service
- Esri, Inc., a private data reporting service
- Records and data from the City
- Records and data maintained by Kingsbury County
- South Dakota State Data Center
- Interviews with City officials, community leaders, housing stakeholders, etc.

- Area housing agencies
- State and Federal housing agencies
- Rental property owner surveys
- Housing condition survey

**Limitations**

This Housing Study represents an analysis performed with the data available at the time of the Study. The findings and recommendations are based upon current solutions and the best available information on future trends and projections. Significant changes in the area’s economy, employment growth, federal or State tax policy or other related factors could change the conclusions and recommendations contained in this Housing Study.

This study was prepared by:

**Community Partners Research, Inc.  
Faribault, MN  
(507) 838-5992  
cpartners@charter.net**

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## **Demographic Data Overview**

### **Sources of Data**

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Lake Preston and Kingsbury County. A primary data source is the U.S. Census Bureau, through the decennial census, the annual American Community Survey, and the annual population estimates program.

To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. This provides detailed demographic characteristics, replacing information once collected by the decennial Census. However, because the American Survey is based on sampling data, there is a margin of error that exists for each estimate. Some of the following tables incorporate the 2019 American Community Survey data, when viewed as reliable.

The Governor's Office of Economic Development provides demographic profile information for cities, towns and counties supplied by Applied Geographic Solutions (AGS), a private company. Prior to using AGS, the State had used a similar provider, Esri, Inc., for demographic data. The analysts have examined both of these sources in some of the tables that follow for current-year estimates and future projections.

In addition to providing demographic information for Lake Preston, comparative information has often been provided for all of Kingsbury County.

## Population Data and Trends

<b>Table 1 Population Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Esri Estimate
Lake Preston	663	737	11.2%	599	-18.7%	610
Kingsbury Co.	5,925	5,815	-1.9%	5,148	-11.5%	5,187

Source: U.S. Census; Esri

- ▶ There are three recent population estimates for Lake Preston. These estimates show differing population trends for the City over the past decade.
- ▶ The highest recent estimate is from Esri, which showed the City with 610 residents in 2020, an increase of 11 people from the 2010 Census. This is the only estimate that shows population growth over the past decade.
- ▶ Applied Geographic Solutions estimated that Lake Preston had 550 people, for a loss of 49 people from 2010 to 2020.
- ▶ The Census Bureau has also released information through its population estimates program. The most recent estimate for Lake Preston is effective July 1, 2019, and placed the City’s population at 555 people, a decrease of 44 residents from 2010 to 2019.
- ▶ Until the 2020 Census totals are released, it is difficult to know which of these estimates most accurately reflected the number of people living in Lake Preston. However, based on other data utilized in the research process, it is very possible that the City has added some households in recent years, and the minor population increase as estimated by Esri may prove to be the most reliable.
- ▶ Longer-term population change patterns in Lake Preston have been inconsistent. In the 1990s, the City added residents. However, between 2000 and 2010, the City had a reduction of nearly 140 people. If the Esri estimate is accurate, the City’s population has generally remained stable over the most recent decade, with the possibility that the City has been adding an average of approximately one resident per year.
- ▶ Recent population estimates for Kingsbury County also show differing patterns over the past decade.

- ▶ Esri's 2020 population estimate for Kingsbury County was 5,187 residents, a gain of 39 people from 2010. This is the only estimating source that shows the County growing since 2010.
- ▶ The AGS estimate contradicted the Esri estimate and showed that Kingsbury County had 4,876 residents in 2020, for a reduction of 272 people from 2010 to 2020.
- ▶ The Census Bureau's most recent estimate for Kingsbury County is effective July 1, 2019, and showed the County with 4,939 residents, down by 209 people from the 2010 Census. Although there is a one-year time difference between AGS and the Census Bureau, they generally show a similar pattern of change for Kingsbury County.

### **Population Characteristics**

- ▶ At the time of the 2010 Census, there were no residents identified as living in group quarters housing. In 2021, it is assumed that the City has no group quarters residents.
- ▶ According to the 2020 Estimates from AGS, more than 95% of the City's residents were White for race, and fewer than 3% were of Hispanic/Latino ethnicity. As a result of the limited diversity, no further demographic details have been provided by race or ethnic origin.

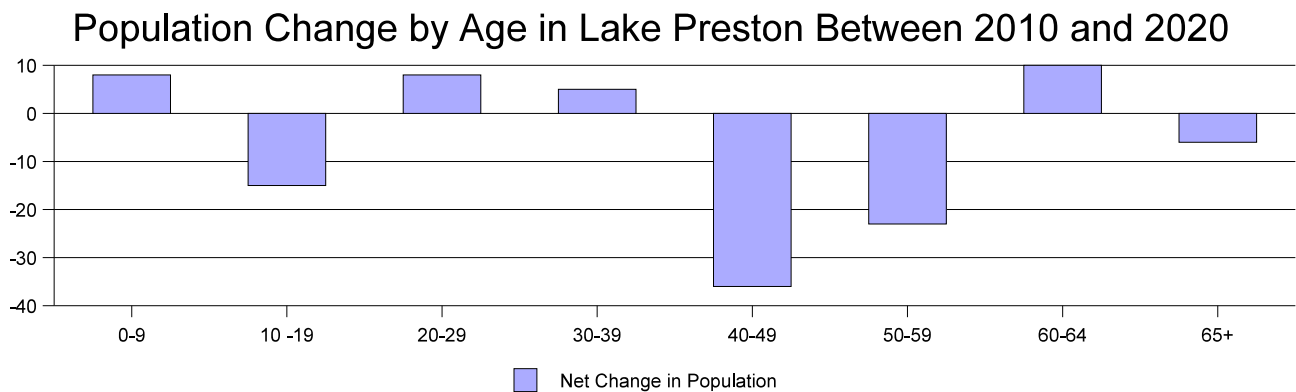


## Population by Age Trends: 2010 to 2020

The 2019 population estimate from Applied Geographic Solutions includes information on the age distribution of residents. This information can be compared to the population by age in the 2010 Census. It is important to note that AGS had the lowest total population estimate for the City of Lake Preston. As a result, this source may overestimate the negative changes within age groups.

<b>Table 2 Lake Preston Population by Age - 2010 to 2020</b>			
Age	2010	2020	Change
0-9	62	70	8
10-19	78	63	-15
20-29	41	49	8
30-39	56	61	5
40-49	94	58	-36
50-59	105	82	-23
60-64	32	42	10
65+	131	125	-6
<b>Total</b>	<b>599</b>	<b>550</b>	<b>-49</b>

Source: U.S. Census; AGS



As with other demographic variables, the age distribution of people living in Lake Preston should be reexamined following the release of the 2020 Census. Esri, another data provider, showed a total population for the City that was approximately 11% higher than the Applied Geographic Solutions estimate. If the Esri estimate is more accurate, the negative changes within the specific age ranges would not be as large as indicated by AGS.

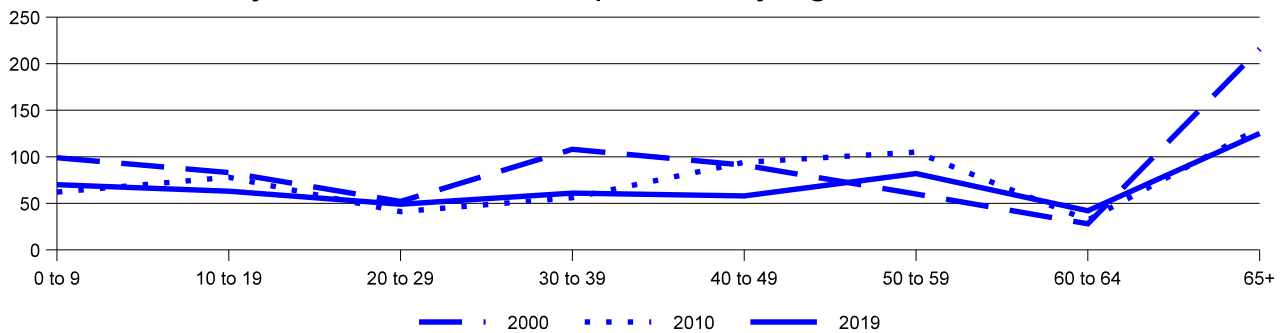
According to AGS, the City experienced a minor net reduction of children and young adults age 19 and younger between 2010 and 2020. However, the City did add some young adults between the ages of 20 and 39 years old during the decade.

Most of the City’s estimated reduction in population occurred within the 20-year age range between 40 and 59 years old. This generally represented a smaller demographic segment than the older “baby boom” generation.

AGS did estimate some growth in the near-senior age group in the 60 to 64 age range. However, there was some reduction in the number of residents age 65 and older.

When viewed as a longer-term pattern, there have been limited changes in the City’s age distribution since the year 2000.

City of Lake Preston Population by Age: 2000 to 2020



## Population Projections

The following table presents population projections to the year 2025. Projections for Lake Preston and Kingsbury County exist from both Applied Geographic Solutions and Esri, and span the five-year period.

<b>Table 3 Population Projections Through 2025</b>						
	Applied Geographic Solutions			Esri		
	2020 Estimate	2025 Projection	Change	2020 Estimate	2025 Projection	Change
Lake Preston	550	564	14	610	603	-7
Kingsbury Co.	4,876	4,741	-135	5,187	5,132	-55

Source: Applied Geographic Solutions; Esri

- ▶ Although Esri started with the highest population estimate for Lake Preston in 2020, this source expects a small loss of seven people by the year 2025. While this projection does show a reduced population going forward, in general Esri has been tracking a relatively stable population level in the City. From 2010 to 2020, Esri was showing average annual growth of approximately one resident per year, and over the 5-year projection period they are expecting a loss of approximately one person per year.
- ▶ AGS is projecting some growth for the City, with a forecast showing 14 additional residents between 2020 and 2025. Despite some future growth, AGS still has a lower total population level for Lake Preston in 2025.
- ▶ Although the projection sources also show some difference in the future change for Kingsbury County, both Esri and AGS are showing a population reduction going forward. AGS is projecting a loss of 135 people over the 5-year time period, while Esri is forecasting a reduction of 55 residents Countywide.

## Household Data and Trends

<b>Table 4 Household Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Esri Estimate
Lake Preston	322	317	-1.6%	295	-6.9%	304
Kingsbury Co.	2,357	2,406	2.1%	2,222	-7.6%	2,265

Source: U.S. Census; Esri

- ▶ There are two sources showing recent household trends. Similar to the population estimates, these sources differ on the changes over the past decade.
- ▶ The 2020 estimate from Esri shows 304 resident households in Lake Preston, up by nine households since 2010.
- ▶ The AGS estimate for Lake Preston was 266 households, down by 29 households from the 2010 Census.
- ▶ The release of the 2020 Census data will establish which of these estimates was more accurate. However, between 2010 and 2020, there were approximately 10 new houses constructed in Lake Preston. As a result, the Esri estimate that showed the City adding nine households would appear to be achievable.
- ▶ Although the Esri estimate does show some recent growth may have occurred, over the longer-term the City has been experiencing a gradual reduction in the number of households, dating back to at least 1990.
- ▶ The recent estimates for Kingsbury County also differ. Esri showed an increase of 43 households Countywide between 2010 and 2020. However, AGS estimated that there were only 2,181 resident households in the County in 2020, down by 41 households from the 2010 Census.
- ▶ Kingsbury County did add some households in the 1990s, but then lost households between 2010 and 2020. Even using the higher estimate from Esri in 2020, the County still had fewer households than were present at the time of the 1990 Census.

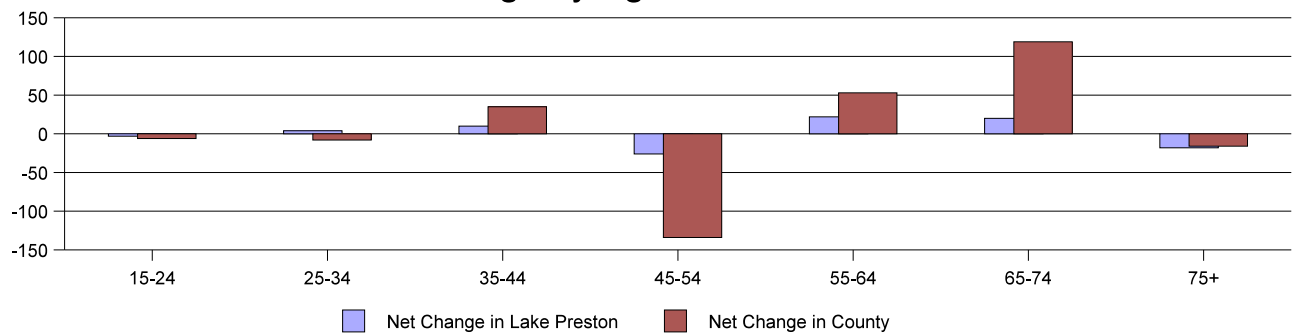
## Household by Age Trends: 2010 to 2020

The demographic data profile that is available from AGS does not provide information on households by age. However, age-based estimates are available from Esri. The following table compares households by age in 2010 and 2020, along with the numeric changes. It is important to note that Esri has a higher estimate of the total household count in 2020 than AGS.

Table 5 Households by Age - 2010 to 2020						
Age	Lake Preston			Kingsbury County		
	2010	2020	Change	2010	2020	Change
15-24	8	5	-3	53	47	-6
25-34	31	35	4	270	262	-8
35-44	28	38	10	263	298	35
45-54	72	46	-26	474	340	-134
55-64	57	79	22	432	485	53
65-74	33	53	20	293	412	119
75+	66	48	-18	437	421	-16
Total	295	304	9	2,222	2,265	43

Source: U.S. Census; Esri

Household Change by Age Between 2010 and 2020



From 2010 to 2020, Lake Preston added only nine total households, according to Esri. However, movements within the defined age ranges were often larger.

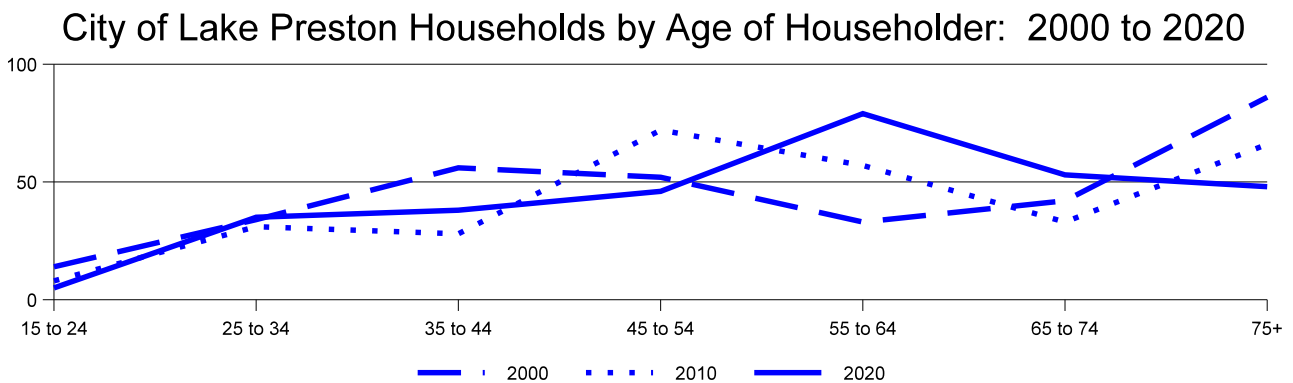
In Lake Preston, the age groups between 55 and 74 years old showed the largest increase. This generally represented the movement of the large baby boom generation through the aging cycle. Within this 20-year range the City added 42 households over the decade according to Esri.

These same older adult age groups also showed the greatest growth for all of Kingsbury County, with the largest increase within the senior citizen age range between 65 and 74 years old.

There tended to be less change within many of the younger age ranges in Lake Preston. If all of the ranges below age 55 are combined, the City had a net reduction of only 15 total households between 2010 and 2020. There was also a reduction of 18 older senior households, age 75 and above, in Lake Preston.

For all of Kingsbury County, the reduction of households age 54 and younger was much greater. In the combined age groups below 55 years old, there was an estimated decrease of more than 110 households. Countywide there was also a reduction of older senior households, age 75 and above, but this was due to the impact of Lake Preston on Countywide totals.

It is possible to track the age progression patterns of households in Lake Preston back to the year 2000.



The advancing wave created by the baby boom generation has been evident over time. Another noticeable trend is the decrease of older senior households, age 75 and above.

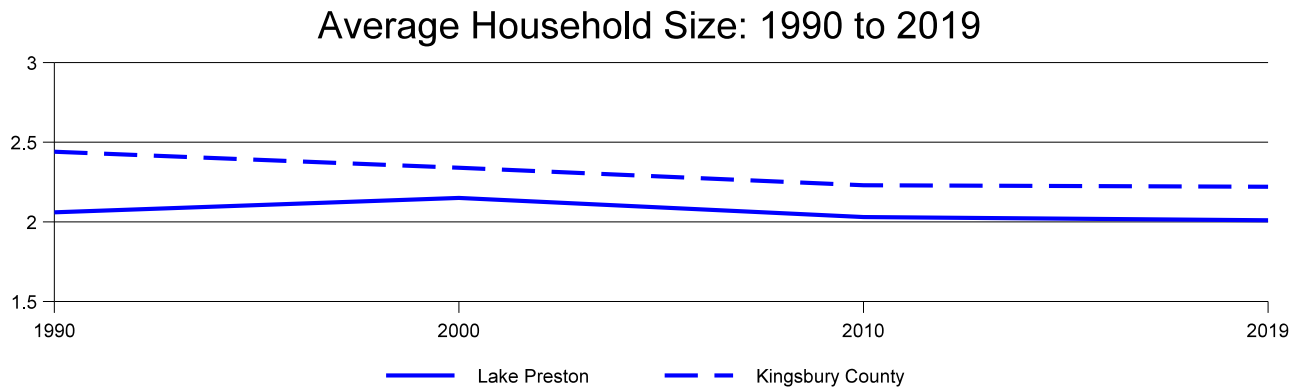
## Average Household Size

The following table provides decennial Census information on average household size, along with the 2020 estimate from Esri.

<b>Table 6 Average Number of Persons Per Household: 1990 to 2020</b>				
	1990 Census	2000 Census	2010 Census	2020 Esri
Lake Preston	2.06	2.15	2.03	2.01
Kingsbury Co.	2.44	2.34	2.23	2.20

Source: U.S. Census; Esri

Household formation has been occurring at a different rate than population change in recent decades due to a steady decrease in average household size. This has been caused by household composition changes, such as more single person and single parent families, fewer children per family, and more senior households due to longer life spans.



The average household size in Lake Preston has been relatively small for many decades, and has been well below the average for Kingsbury County. After increasing somewhat between 1990 and 2000, the City’s average has been decreasing, and was at only 2.01 persons per household in 2020, according to Esri.

Kingsbury County’s average household size has continued to decrease since 1990, and was down to 2.20 persons in 2020.

## Household Projections

Household projections for the five-year time period spanning the years 2020 through 2025 are available from AGS and Esri. Household growth directly impacts the demand for housing.

<b>Table 7 Household Projections Through 2025</b>						
	AGS			Esri		
	2020 Estimate	2025 Projection	Change	2020 Estimate	2025 Projection	Change
Lake Preston	266	243	-23	304	303	-1
Kingsbury Co.	2,181	1,894	-287	2,265	2,248	-17

Source: AGS, Esri

- ▶ There is a significant difference between the household projections that exist for Lake Preston and Kingsbury County, with Esri expecting stability over the 5-year time period, while AGS is forecasting household losses.
- ▶ Esri’s projection for Lake Preston expects a reduction of only one household by the year 2025. However, AGS is projecting a reduction of 23 households, or an annual average loss of between four and five households per year.
- ▶ The difference between these sources is even more pronounced for Kingsbury County. Esri is projecting a reduction of only 17 total households over the 5-year period, or an average of between three and four households per year Countywide. AGS is projecting a much greater loss of households with a reduction of 287 households Countywide, or an annual average of approximately 57 households per year.
- ▶ Although both sets of projections have been presented, in the opinion of the analysts, the data from Esri represents a more realistic expectation of possible change over the 5-year time period reviewed.

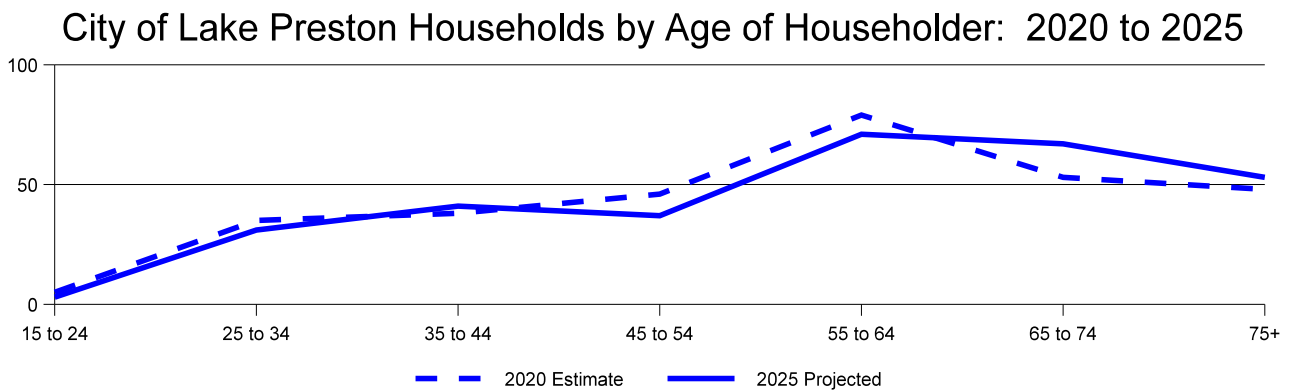


## Lake Preston Household by Age Projections: 2020 to 2025

In addition to overall household forecasts, Esri has also generated age-based projections for households to the year 2025. These projections can be compared to the data contained in the 2020 Esri estimate to examine the change projected over the next five years. Age-based household forecasts are provided for the City of Lake Preston. Age-based household forecasts are not available from Applied Geographic Solutions.

<b>Table 8 Projected Households by Age - 2020 to 2025</b>			
Age	Lake Preston		
	2020	2025	Change
15-24	5	3	-2
25-34	35	31	-4
35-44	38	41	3
45-54	46	37	-9
55-64	79	71	-8
65-74	53	67	14
75+	48	53	5
<b>Total</b>	<b>304</b>	<b>303</b>	<b>-1</b>

Source: Esri



Esri is projecting an overall loss of only one household in Lake Preston from 2020 to 2025. As a result, the expected change within each of the defined age ranges is also very limited.

However, consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should result in an additional 14 households in the age range between 65 and 74 years old.

Some additional growth is also projected among older senior households, age 75 and above. But overall, the City is projected to add fewer than 20 total households in the senior ranges, age 65 and older.

Trailing behind the advancing baby boomers, there is a projected decrease of households in the age ranges between 45 and 64 years old. Very little change is projected in the younger adult ranges, age 44 and younger.

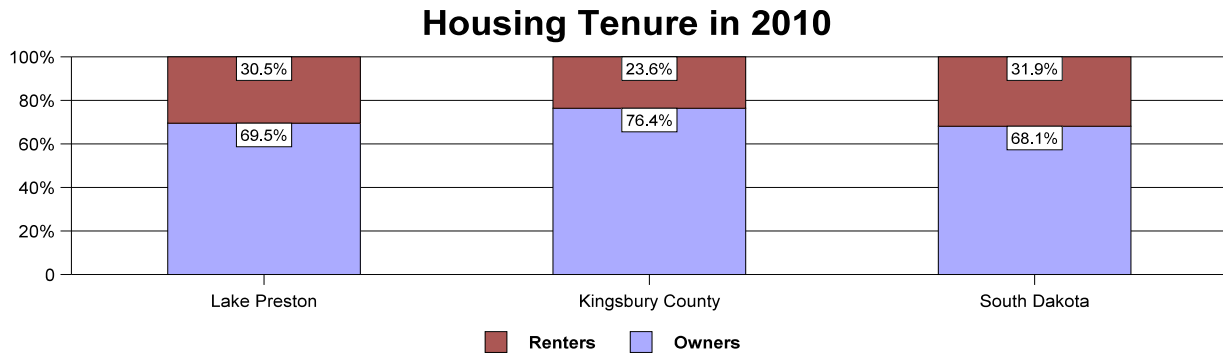
## Housing Tenure

The most reliable information on housing tenure is from the 2010 Census.

<b>Table 9 Household Tenure - 2010</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Lake Preston	205	69.5%	90	30.5%
Kingsbury Co.	1,698	76.4%	524	23.6%
State	-	68.1%	-	31.9%

Source: U.S. Census

At the time of the 2010 Census, the home ownership tenure rate in Lake Preston was 69.5%, compared to a rate of 76.4% for all of Kingsbury County. Statewide, 68.1% of all households were homeowners, with 31.9% renting in 2010.



## 2019 Median Income Data

Income estimates are available at the city and county level through the American Community Survey. The following table provides 2019 American Community survey data for Lake Preston, Kingsbury County and the State.

Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household.

<b>Table 10 Median Household Income - 2010 to 2019</b>			
	2010 Median	2019 Median	% Change
Median Household Income			
Lake Preston	\$36,500	\$55,417	51.8%
Kingsbury County	\$44,948	\$61,699	37.3%
South Dakota	\$46,369	\$58,275	25.7%
Median Family Income			
Lake Preston	\$57,011	\$62,212	9.1%
Kingsbury County	\$56,925	\$71,897	26.3%
South Dakota	\$58,958	\$75,168	27.5%

Source: American Community Survey

Information contained in the American Community Survey shows that the median household and family incomes had increased for both Lake Preston and Kingsbury County from 2010 to 2019. Generally, family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners.

The 2019 estimated median household income for Lake Preston had increased by more than 51% from 2010, and was only slightly lower than the Statewide household median. The 2019 estimate for Kingsbury County was above the Statewide median.

The increase in the City’s median family income was less than 10% between 2010 and 2019, and the City’s estimated median family income was nearly \$13,000 lower than the Statewide family median. The median for Kingsbury County was higher than in Lake Preston, but was still below the Statewide family median.

Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Lake Preston could afford approximately \$1,385 per month and a median income family household could afford \$1,555 per month for ownership or rental housing in 2019.

However, there was a significant difference in the median levels depending upon ownership or renter status. For home owners in Lake Preston, the estimated median household income in 2019 was \$62,143. For renter households in the City, the estimated median was \$34,833.

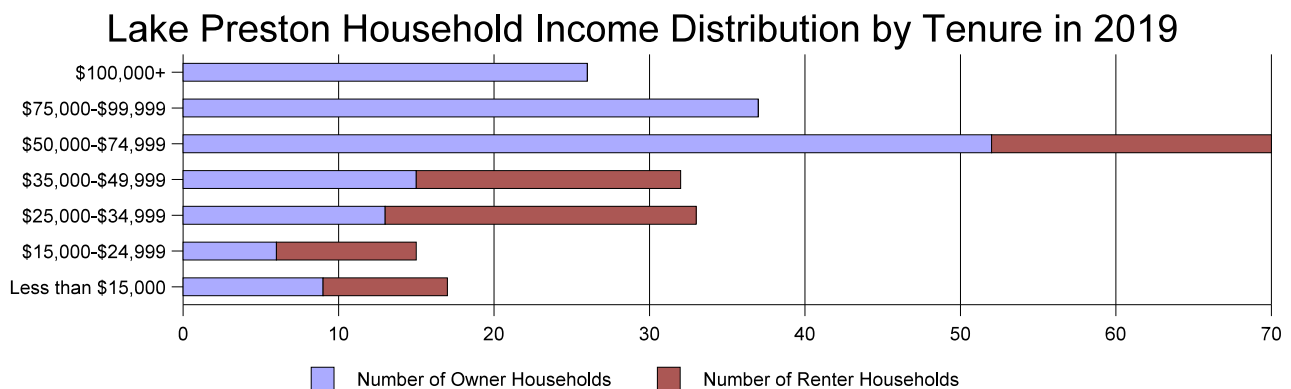
At 30% of income, a home owner at the median level could apply approximately \$1,554 per month to housing costs without incurring a cost burden. For renters at the median level, approximately \$871 per month could be applied to housing costs.

## Lake Preston Income Distribution by Housing Tenure

The 2019 American Community Survey provides income data by owner and renter status. However, the 2019 estimates appear to have under estimated the total number of households living in the City. Despite the undercount, the income distribution patterns are still viewed as the best available data on this topic.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	9 / 52.9%	8 / 47.1%	17
\$15,000 - \$24,999	6 / 40.0%	9 / 60.0%	15
\$25,000 - \$34,999	13 / 39.4%	20 / 60.6%	33
\$35,000 - \$49,999	15 / 46.9%	17 / 53.1%	32
\$50,000 - \$74,999	52 / 74.3%	18 / 25.7%	70
\$75,000 - \$99,999	37 / 100%	0 / 0%	37
\$100,000+	26 / 100%	0 / 0%	26
<b>Total</b>	<b>158</b>	<b>72</b>	<b>230</b>

Source: American Community Survey



Income and housing tenure are often linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes.

In 2019, approximately 51% of all renter households in Lake Preston had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

Most owner households had a higher income level than rental households. Approximately 73% of all owner households had an annual income of \$50,000 or more.

## 2019 Estimated Income and Housing Costs - Renters

The American Community Survey collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross income for housing in Lake Preston. As stated previously, the American Community Survey has under estimated the number of renter households living in the City, but the distribution of housing cost burden is assumed to be reasonably accurate.

<b>Table 12 Gross Rent as a Percentage of Household Income - 2019</b>		
Percent of Income for Housing	Number of Renter Households 2019	Percent of All Renter Households 2019
Less than 20%	48	66.7%
20% to 29.9%	15	20.8%
30% to 34.9%	5	6.9%
35% or more	2	2.8%
Not Computed	2	2.8%
Total	72	100%

Source: American Community Survey

Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

According to the American Community Survey, only a small percentage of renters in the City were paying 30% or more of their income for rent in 2019. Fewer than 10% of all renter households were paying 30% or more, and fewer than 3% were applying 35% or more of their income for housing.

All of the renter households reporting a cost burden had an annual income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

It is important to state that estimates for a small community can have a wide margin of error due to the limited sampling that is completed by the American Community Survey. It is very possible that a higher percentage of renters did have a cost burden in 2019.



## 2019 Estimated Income and Housing Costs - Owners

The American Community Survey provided housing cost estimates for owner-occupants. The following table examines estimates for the number of households in Lake Preston that are paying different percentages of their gross household income for housing costs. As stated previously, the American Community Survey has under estimated the number of owner households living in the City, but the distribution of housing cost burden is assumed to be reasonably accurate.

<b>Table 13 Ownership Costs as a Percentage of Income - Lake Preston</b>		
Percentage of Household Income for Housing Costs	Number of Owner Households 2019	Percent of All Owner Households 2019
0% to 19.9%	126	79.7%
20% to 29.9%	14	8.9%
30% or more	18	11.4%
Not Computed	0	0%
Total	158	100%

Source: American Community Survey

Mortgage lending practices generally attempt to keep home ownership costs at less than 30% of household income. Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing in 2019.

However, more than 11% of all home owners reported that they paid more than 30% of their income for housing.

## Existing Home Sales

This section examines houses that have been sold in Lake Preston from 2016 through 2020. It is important to note that the number of houses that sell each year can vary and may not be an accurate indicator of overall home values in the City. However, this sample does provide some insight into those units that have turned-over during this time period.

The information was obtained from the South Dakota Department of Revenue website, based on sales reports submitted by the Kingsbury County Equalization Office. The Equalization Office collects and utilizes information from residential sales for its annual sales ratio study. The County compares the actual sale price to the estimated taxable value for each property. As a result, the County information for sales primarily reflects existing homes that have an established tax value. New construction sales activity would generally not be recorded in the data that was used for this analysis, unless the house had been constructed some time ago and did have an established tax value from the prior year.

The County also sorts the residential sales into different groupings, rejecting certain sales. The primary reason that sales are rejected is because the house was not actively listed for sale in the open market.

The County's sale year differs slightly from a calendar year, and begins on November 1<sup>st</sup> and extends to October 31<sup>st</sup>.

**Table 14 Median Value of Recent Residential Sales - 2016 to 2020**

Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2020	18	\$70,975*	\$114,000	\$5,000
2019	16	\$45,000*	\$115,000	\$5,000
2018	6	\$22,000*	\$190,000	\$5,000
2017	13	\$74,000	\$142,500	\$14,000
2016	12	\$42,450*	\$92,000	\$6,750

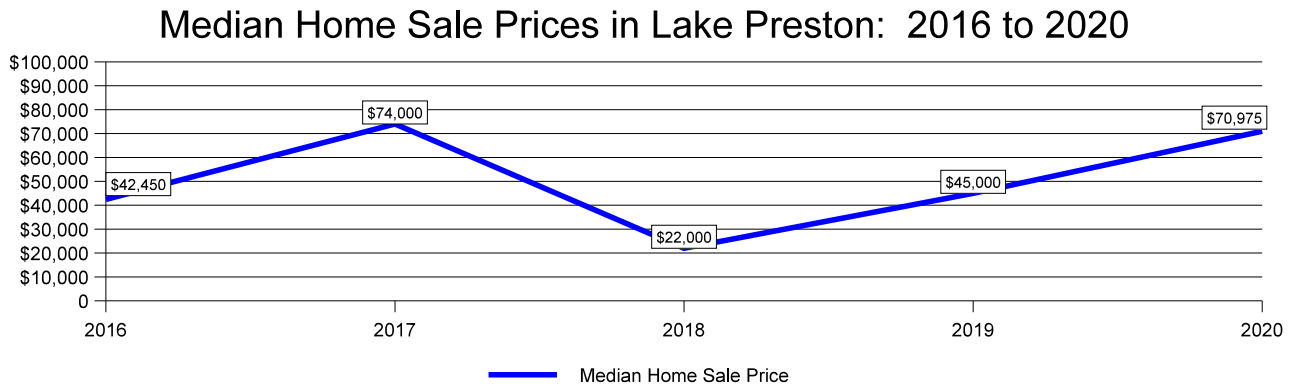
Source: SD Dept. of Revenue; Kingsbury County Assessor; Community Partners Research, Inc.

\* Median calculated from two nearest sales

With a limited number of sales within any 12-month time period, there has been significant variation in the annual median price. This was especially true in 2018, when only six good home sales were recorded in Lake Preston.

For 2020, there were 18 good sales recorded, the most in any single year of the five years that were reviewed. The median price in 2020 was \$70,975. In 2019, when 16 good sales occurred, the median price was substantially lower at \$45,000.

If a two-year time period is used, there were 34 combined sales in 2019 and 2020, with a median price of \$62,450.



In each of the years reviewed, at least one house in the City was sold for \$14,000 or less. In all five years combined, only one house in Lake Preston has sold for more than \$150,000, when a sale was recorded in 2018 for \$190,000.

An alternate estimate of home values exists in the American Community Survey. In 2019, the estimated median value for all owner-occupied housing in Lake Preston was \$73,800. This estimate was slightly higher than the median sale price recorded for 2020.

## Lake Preston Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 260 single family/duplex houses in Lake Preston. The City was divided into two neighborhoods, based on Highway 14.

Houses that appeared to contain three or more residential units were excluded from the survey. Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used. These houses need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

Major Rehabilitation is defined as a house needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate.

Minor Repair houses are judged to be generally in good condition and require less extensive repair, such as one major improvement. Houses in this condition category will generally be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair.

Sound houses are judged to be in good, 'move-in' condition. Sound houses may contain minor code violations and still be considered Sound.

<b>Table 15 Windshield Survey Condition Estimate - 2021</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
South of Hwy 14	55 / 43.7%	40 / 31.3%	20 / 15.9%	11 / 8.7%	126
North of Hwy 14	47 / 35.1%	50 / 37.3%	26 / 19.4%	11 / 8.2%	134
Total	102 / 39.2%	90 / 34.6%	46 / 17.7%	22 / 8.5%	260

Source: Community Partners Research, Inc.

- ▶ Approximately 35% of the houses in the City of Lake Preston need minor repair and nearly 18% need major repair. More than 39% of the City's single family houses are sound, with no required improvements. Twenty-two houses are rated as dilapidated and possibly beyond repair.

## Building Permit Trends

Lake Preston has experienced limited new housing construction activity in recent years. The following table identifies the units that have been issued a building permit from 2010 to 2020.

<b>Table 16 Lake Preston Housing Unit Construction Activity: 2010 to 2020</b>			
Year	Single Family	Two or More Units	Total Units Constructed
2020	1	0	1
2019	1	0	1
2018	1	0	1
2017	4	0	4
2016	3	0	3
2015	0	0	0
2014	0	0	0
2013	0	0	0
2012	0	0	0
2011	1	0	1
2010	0	0	0
TOTAL	11	0	11

Source: Census Bureau; City of Lake Preston; Community Partners Research, Inc.

Over the past 11 years, based on building permit issuance information from the City of Lake Preston and the Census Bureau, 11 new housing units have been constructed in Lake Preston. All 11 units are in single family houses.

From 2010 to 2015, only one new house was permitted in the City. Between 2016 and 2020, there were 10 new homes permitted, for an annual average of two houses per year over the past five years.

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

According to the 2010 U.S. Census, there were 90 occupied rental units in Lake Preston, and 19 rental units that were vacant or unoccupied. The City's total rental housing inventory contained 109 units. The City's rental tenure rate in 2010 was 30.5%, slightly below the Statewide rental rate of 31.9%.

Since 2010, no new rental units have been constructed in Lake Preston. It is possible that some level of tenure conversion has occurred, with single family houses changing from owner-occupancy to rental use, or vice versa. However, the best available information would indicate that there have been few changes in the City's rental housing stock over the past decade.

### **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of multifamily projects in Lake Preston. Emphasis was placed on contacting properties that have four or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. However, we also obtained information on some properties with less than four units.

Information was tallied separately for different types of rental housing, including market rate units, subsidized rental housing, and senior housing with services.

There were 68 housing units/beds of all types that were contacted in the survey. The units that were successfully contacted include:

- ▶ 14 market rate units
- ▶ 38 federally subsidized units
- ▶ 16 senior assisted living units/beds

The findings of the survey are provided below.

## Market Rate Summary

Information was obtained on 14 market rate rental units in three multi-family projects including Su-Ra Apartments with eight units, Whitewood Apartments with four units and two market rate units located in the Mainview West Project.

### Unit Mix

We obtained the bedroom mix on the 14 market rate units. The bedroom mix of the units is:

- ▶ one-bedroom - 6 (42.9%)
- ▶ two-bedroom - 8 (57.1%)

### Occupancy / Vacancy

At the time of the survey, there was one vacancy in the 14 market rate units that were included in the occupancy survey. This is a vacancy rate of 7.1%.

### Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent.

In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

The lowest and highest gross rents have been identified, as reported in the telephone survey.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
One-bedroom	\$525
Two-bedroom	\$500-\$625

## **Tax Credit Summary**

There are no tax credit units in Lake Preston.

## **Subsidized Summary**

The research completed for this Study identified two subsidized projects with 38 units providing rental opportunities for lower income households.

Lake Preston Housing is a 32-unit general occupancy USDA Rural Development Project. The project has 12 one-bedroom and 20 two-bedroom units. The units are in two locations with 28 units on Manor Ave. and four units on Main Street.

Mainview West is an SDHDA Home Project and includes eight two-bedroom units. Six units are subsidized and two units are market rate. The project was constructed in 1997.

The Lake Preston Housing subsidized units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income up to the project's market rents which are \$415 for a one-bedroom unit and \$550 for a two-bedroom unit. The project also has a waiver to allow higher income tenants to rent a unit if vacancies exist. The Mainview West unit rents range from \$420 to \$462.

## **Unit Mix**

The bedroom mix breakdown for the 38 subsidized housing units in Lake Preston is as follows:

- ▶ 12 one-bedroom (31.6%)
- ▶ 26 two-bedroom (68.4%)

## **Occupancy / Vacancy**

At the time of the survey, five vacancies were identified in the two projects for a vacancy rate of 13.2%. There were four vacancies in the Lake Preston Housing units and there was one vacancy in the Mainview West units.



## **Senior Housing with Services**

### **Unit Inventory**

Lake Preston has one senior housing with a services project. Silver Plains Assisted Living was constructed in 2006 and is State-licensed as an Assisted Living Center. The facility is licensed for 16 residents in 2021. The facility provides the full array of assisted living services including meals, bathing, laundry, housekeeping, medication management, etc. At the time of the survey, the Director reported no vacancies.

**Table 17 Lake Preston Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Su-Ra Apartments	4 - 1 bedroom 4 - 2 bedroom 8 total units	\$450 \$550	1 vacancy	General occupancy	Su-Ra Apartments is an 8-unit market rate general occupancy project constructed in the 1970s. There are four one-bedroom units and four two-bedroom units. Rent is \$450 for a one-bedroom unit. Tenants also pay electricity. The manager reported one vacancy at the time of the survey.
Whitewood Apartments	2 - 1 bedroom 2 - 2 bedroom 4 total units	\$450 \$550	No vacancies	General occupancy	Whitewood Apartments is a 4-unit market rate general occupancy project with two one-bedroom units and two two-bedroom units. The units were constructed in the 1970s. Rent is \$450 for a one-bedroom unit and \$550 for a two-bedroom unit. Tenants also pay electricity. The manager reported no vacancies at the time of the survey.
Mainview West	8 - 2 bedroom 8 total units  2 units are market rate and 6 units are subsidized	\$504 for the market rate units	No vacancies	General occupancy	Mainview West is a general occupancy project with eight two-bedroom units. The project was constructed in 1997 utilizing SDHDA HOME funds. Six units are subsidized and tenants must meet income limits. The rent on four of the subsidized units is \$462 and the rent for two subsidized units is \$420. Two units are market rate and have no income limits. The rent on these units is \$504. The manager reported one subsidized unit vacancy at the time of the survey, however, the manager reported that the units have always been fully occupied in the past.

**Table 17 Lake Preston Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized</b>					
Lake Preston Housing	12 - 1 bedroom <u>20 - 2 bedroom</u> 32 total units	\$415 \$550 30% of income	4 1-bedroom vacancies	General occupancy	Lake Preston Housing is a USDA Rural Development General Occupancy project with 32 units. There are 12 one-bedroom units and 20 two-bedroom units. Tenants must meet income limits and the tenants pay 30% of their income up to the market rents listed. The units are in two locations with 28 units on Manor Ave and four units (Mainview) on Main St. If units are available, a waiver can be obtained to allow tenants that do not meet the income limits to rent a unit. The manager reported four one-bedroom vacancies at the time of the survey.
Mainview West	<u>8 - 2 bedroom</u> 8 total units  6 units are subsidized and two units are market rate	\$420-\$462 for the subsidized units	1 vacancy	General occupancy	Mainview West is a general occupancy project with eight two-bedroom units. The project was constructed in 1997 utilizing SDHDA HOME funds. Six units are subsidized and tenants must meet income limits. The rent on four of the subsidized units is \$462 and the rent for two subsidized units is \$420. Two units are market rate and have no income limits. The rent on these units is \$504. The manager reported one subsidized unit vacancy at the time of the survey, however, the manager reported that the units have always been fully occupied in the past.
<b>Assisted Living</b>					
Silver Plains Assisted Living	15rooms, licensed for 16 residents	Based on level of services	No vacancies	Assisted Living Center	Silver Plains Assisted Living is a 15-room, 16-bed facility that is 15 years old. The facility provides the full array of assisted living services including meals, housekeeping, bathing, medication management, laundry, etc. The Director reported no vacancies at the time of the survey.

Source: Community Partners Research, Inc.

## Employment and Local Economic Trends

While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to afford housing is severely limited.

### Work Force and Unemployment Rates

Employment information is available for Kingsbury County. Information has been reviewed back to the year 2010. Data in the tables that follow have been obtained from the South Dakota Department of Labor.

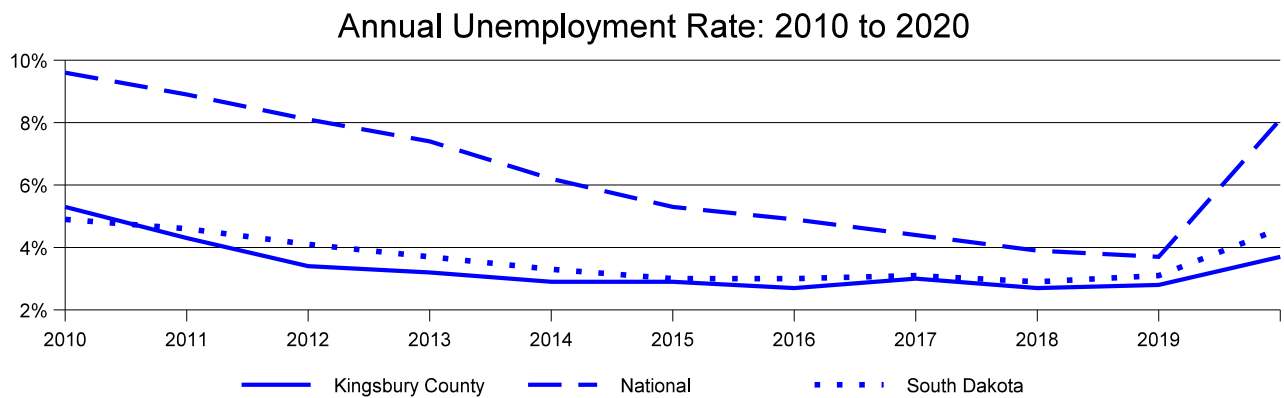
<b>Table 18 County Annual Labor Statistics 2010 to 2020</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	2,882	2,729	153	5.3%	4.9%	9.6%
2011	2,907	2,782	125	4.3%	4.6%	8.9%
2012	3,003	2,902	101	3.4%	4.1%	8.1%
2013	2,902	2,810	92	3.2%	3.7%	7.4%
2014	2,905	2,821	84	2.9%	3.3%	6.2%
2015	2,771	2,691	80	2.9%	3.0%	5.3%
2016	2,754	2,681	73	2.7%	3.0%	4.9%
2017	2,683	2,603	80	3.0%	3.1%	4.4%
2018	2,657	2,584	73	2.7%	2.9%	3.9%
2019	2,666	2,592	74	2.8%	3.1%	3.7%
2020	2,661	2,563	98	3.7%	4.6%	8.1%

Source: South Dakota Department of Labor; Community Partners Research, Inc.  
Not seasonally adjusted

Over the past decade, there was a gradual reduction in the County’s resident labor force. Between 2010 and 2020, the labor force decreased by 221 people, or -7.7%.

The County’s employed work force has shown similar patterns. If 2020 is compared to 2010, the number of employed County residents decreased by 166 people, or -6.1%.

With the labor force decreasing at a faster rate than the employed work force, the County's unemployment rate has generally dropped over the decade. For 2020, the unemployment rate was only 3.7%, compared to 5.3% in 2010. Since 2011, the County's unemployment rate has been lower than the Statewide rate, and well below the national average.



Although the pandemic did not have an overly large impact on the unemployment rates for either Kingsbury County or the State of South Dakota in 2020, there was some increase over the rates in 2019.

## Employment and Wages

The Quarterly Census of Employment and Wages (QCEW) tracks annual employment and average annual wage data. The QCEW reporting is for unemployment compensation. It is important to note that the reporting does not represent all employment, as some classifications such as self-employed workers are not included. This information is for all of Kingsbury County and tracks the location of the job.

<b>Table 19 County Average Annual Wages - 2019</b>		
Industry	Average Employment	Average Annual Wage
Total All Industry	1,710	\$37,492

Source: South Dakota Department of Labor & Regulation

The average weekly gross wage for all industry in 2019 was \$721 in Kingsbury County. At full-time employment, this would yield an annual average wage of \$37,492.

## Commuting Patterns of Workers

Information is available on workers that commute for employment. The best information is from the 2019 American Community Survey, and has been examined for the City of Lake Preston. The first table only examines travel time for Lake Preston residents, and excludes people that work at home.

<b>Table 20 Commuting Times for Lake Preston Residents - 2019</b>		
Travel Time	Number	Percent
Less than 10 minutes	78	33.8%
10 to 19 minutes	60	26.0%
20 to 29 minutes	17	7.4%
30 minutes+	76	32.9%
Total	231	100%

Source: American Community Survey

Although a majority of Lake Preston’s residents were working locally in 2019, a relatively large percentage of the City’s residents were commuting longer distances. Overall, nearly 60% of the City’s employed residents were traveling less than 20 minutes to work, and just over 40% were commuting 20 minutes or more.

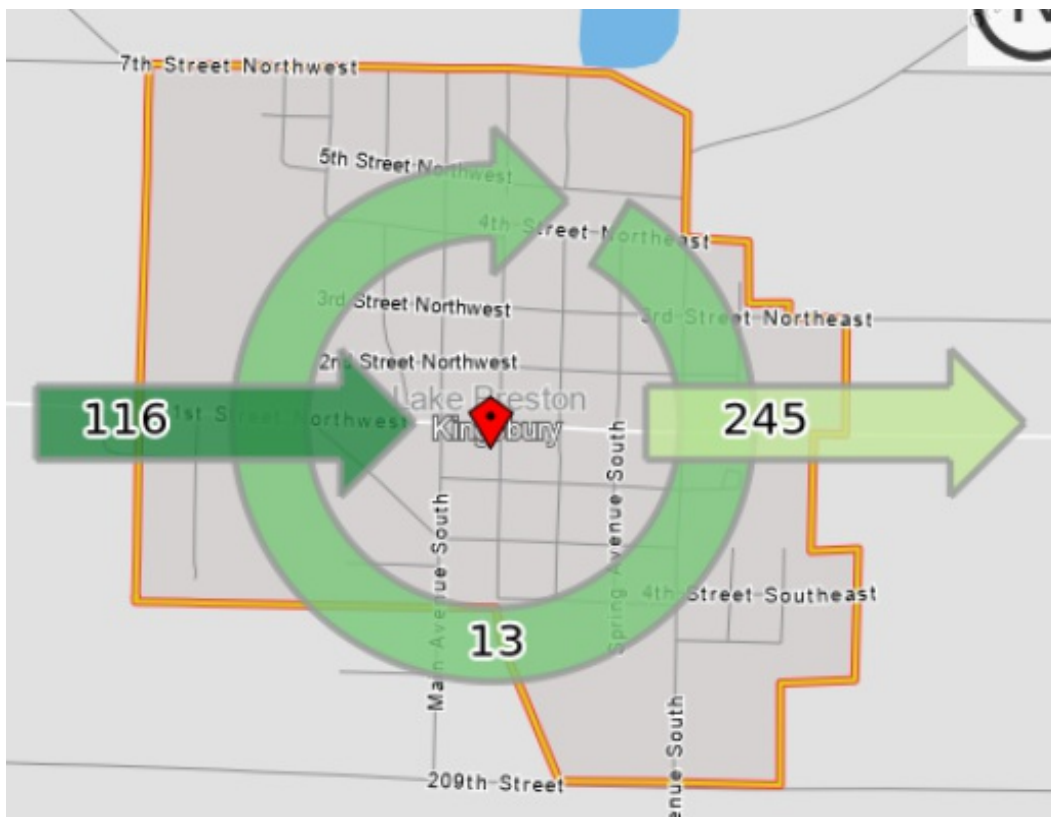
The American Community Survey also identifies travel time by location of the job. However, given the limited employment within the City, no estimates were generated in 2019.

## Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2018, but provides a further breakdown of worker movement patterns.

According to the report for Lake Preston, there were 129 people that were employed within the city limits in 2018. Approximately 90% of these employees were commuting in from outside the City. The primary identified jurisdictions supplying workers to the City were Arlington, Spring Lake Township, Baker Township, Denver Township and Badger Township.

Most employed Lake Preston residents left their home community to work elsewhere. According to this source, there were 245 City residents that were working outside the city limits. The primary locations listed for outbound commuters were Brookings, Arlington, Sioux Falls, Watertown and DeSmet.





## Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for Lake Preston and Kingsbury County over the past few decades. These historic growth trends assist in projecting future demographic changes in the area.

Esri estimates that Lake Preston had a gain of 11 people from 2010 to 2020, which is an increase of 1.8%. Applied Geographic Solutions estimates that Lake Preston had a loss of 49 people from 2010 to 2020. The Census Bureau estimates that from 2010 to 2019, Lake Preston had a loss of 44 people.

Lake Preston's population increased by 11.2% from 1990 to 2000. The population increased from 663 in 1990 to 737 in 2000. From 2000 to 2010, Lake Preston's population decreased significantly by 138 people, which was a population loss of 18.7%.

Esri estimates that from 2010 to 2020, Kingsbury County had a gain of 39 people, an increase of 0.8%. AGS and Census Bureau estimates contradict Esri's estimate of population growth for the County. AGS estimates a loss of 272 people from 2010 to 2020 and the Census Bureau estimates a loss of 209 people from 2010 to 2019.

Kingsbury County's population decreased from 5,925 in 1990 to 5,815 in 2000, which was a decrease of 1.9%. The population continued to decline in the 2000s from 5,815 in 2000 to 5,148 in 2010, which was a loss of 11.5%.

Household levels decreased from 1990 to 2010 in Lake Preston and Kingsbury County. Lake Preston experienced a loss of five households from 1990 to 2000 followed by a loss of 22 households from 2000 to 2010. Esri estimates that from 2010 to 2020, Lake Preston increased by nine households, and AGS estimates that Lake Preston had a loss of 29 households during the same time period.

Kingsbury County added 49 households from 1990 to 2000 and had a loss of 184 households from 2000 to 2010. Esri estimates that from 2010 to 2020, Kingsbury County gained 43 households, and AGS estimates that Kingsbury County had a loss of 41 households.

## **Findings on Projected Growth**

This Study has utilized AGS and Esri projections for Lake Preston and Kingsbury County. AGS projects that Lake Preston will gain 14 people, but lose 23 households from 2020 to 2025. Esri projects that Lake Preston's population will decrease by seven people and one household from 2020 to 2025.

AGS forecasts that from 2020 to 2025, Kingsbury County will lose 135 people and 287 households. Esri projects that Kingsbury County's population will decrease by 55 people and by 17 households from 2020 to 2025.

## **Summary of Lake Preston’s Growth Projections by Age Group**

The Demographic section of this Study presented Esri’s projection information for Lake Preston on anticipated changes by age group from 2020 to 2025. This information can be informative in determining the housing that may be needed due to age patterns of the City’s population.

Esri projects a one household loss in Lake Preston from 2020 to 2025. Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate a gain of approximately 19 households in the 65 and older age ranges. A gain of three households is also projected for the 35 to 44 age range.

Esri projects that from 2020 to 2025, Lake Preston will lose six households in the 15 to 34 age ranges and will lose 17 households in the 45 to 64 age ranges.

The projections assume that historical patterns will continue into the near-future, especially related to household formation and household size within specific age groups. If Lake Preston adds population at a rate that is faster or slower than past patterns would suggest, traditional age-based forecasts would be altered.

<u>Age Range</u>	<u>Projected Change in Households 2020 to 2025</u>
15 to 24	-2
25 to 34	-4
35 to 44	3
45 to 54	-9
55 to 64	-8
65 to 74	14
75 and Older	<u>5</u>
Total	-1

## **Findings on Unit Demand by Type of Housing**

Based on the household by age projections presented earlier, the changing age composition of Lake Preston's population through the five-year projection period will have an impact on demand for housing.

***Age 24 and Younger*** - The projections used for this Study expect a two-household loss in the 15 to 24 age range through the year 2025. Past tenure patterns indicate that a large majority of these households in Lake Preston will rent their housing. A slight decrease in the number of households in this age range should mean that rental demand from younger households will remain stable during the projection period.

***25 to 34 Years Old*** - The projections show a loss of four households in this age range by 2025. Within this age range households often move from rental to ownership housing. A loss of four households indicates slightly less demand for both first-time home buyer and rental opportunities within this age range.

***35 to 44 Years Old*** - The projections for this 10-year age cohort expect a gain of three households between 2020 and 2025 in Lake Preston. In the past, this age group has had a high rate of home ownership. Households within this range often represent both first-time buyers and households looking for trade-up housing, selling their starter home for a more expensive house.

***45 to 54 Years Old*** - For Lake Preston, the projections show a loss of nine households in this age range. This age range has a high home ownership rate in Lake Preston. These households will often look for trade-up housing opportunities. A loss in the number of households in this age group indicates that the demand for trade-up housing will decrease from this age range during the projection period.

***55 to 64 Years Old*** - Esri's projections show a decrease of eight households in this 10-year age range by the year 2025 in the City. This age range has also traditionally had a high rate of home ownership in Lake Preston. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters. This age range is also often looking for trade-up housing.

***65 to 74 Years Old*** - A gain of 14 households is expected by the year 2025 in the 65 to 74 age range, as all of the households in this age range are part of the baby boom generation. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

***75 Years and Older*** - There is a projected increase of five households in Lake Preston in this age range between 2020 and 2025. An expansion of other housing options for seniors, including senior housing with services and high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

These demographic trends will be incorporated into the recommendations that follow later in this section.

## **Findings on Housing Unit Demand and Tenure**

Calculations for total future housing need are generally based on three demand generators; household growth, replacement of lost housing units, and pent-up, or existing demand for units from households that already exist but are not being served.

***Demand from Growth*** - Esri's household projections there were used for this Study expect Lake Preston household count to remain stable, with the loss of only one household from 2020 to 2025. Esri is projecting minor household losses for all of Kingsbury County over the 5-year period. Limited household change will yield limited demand for new housing production. However, certain age ranges are expected to add households.

***Replacement of Lost Owner-Occupancy Units*** - It is difficult to quantify the number of units that are lost from the housing stock on an annual basis. Unit losses may be caused by demolition activity, losses to fire or natural disasters, and to causes such as deterioration or obsolescence. In Lake Preston, some dilapidated housing has been demolished, and more units will be removed in the future. As a result, we have included a minor allowance for unit replacement in the recommendations that follow.

***Replacement of Lost Renter-Occupancy Units*** - It is also difficult to accurately quantify the number of units that are lost from the rental housing stock on an annual basis, however, we are projecting that rental units will be removed from the rental inventory over the next several years. As a result, we have included a minor allowance for unit replacement in the recommendations that follow.

***Pent-Up Demand*** - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Household growth and shifting age patterns have created demand for certain types of age-appropriate housing in Lake Preston. We have included our estimates of pent-up demand into the specific recommendations that follow later in this section.

## **Strengths for Housing Development**

The following strengths for the City of Lake Preston were identified through statistical data, local interviews and an on-site review of the local housing stock.

- ▶ **Lake Preston serves as a small regional center** - Lake Preston provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Lake Preston has a stock of affordable, existing houses. Our analysis shows that the City's median home value is approximately \$70,975 based on 2020 sales. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - Lake Preston has land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Educational system** - Lake Preston has an excellent public pre-school through grade 12 school system.
- ▶ **Health facilities** - Lake Preston has a medical clinic and an assisted living facility. Also, the medical clinic is constructing a new building to replace their existing facility.
- ▶ **Infrastructure** - Lake Preston's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Lake Preston's commercial district is adequate to meet most daily needs.
- ▶ **Lake Preston Economic Development Corporation** - The Lake Preston Economic Development Corporation has been active in promoting economic development, industrial development, commercial development and housing in Lake Preston.

- ▶ **New housing construction** - Over the past five years, the City has experienced some residential new construction. Ten homes have been constructed in Lake Preston since 2016.
- ▶ **Lake Preston Housing and Redevelopment Commission** - The Lake Preston Housing and Redevelopment Commission has been active in addressing the City's housing needs and has constructed and manages rental housing in the community.
- ▶ **Lake Preston is located near regional centers** - Lake Preston is located 32 miles from Brookings, 43 miles from Huron, 50 miles from Watertown and 38 miles from Madison. These cities provide employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Some households prefer to live near, but not in a regional center.
- ▶ **Employers** - Lake Preston has several employers that provide job opportunities for local residents.
- ▶ **Commuters** - Estimates show that approximately 116 long-distance commuters come into the City daily for employment, traveling 30 minutes or more. These longer-distance commuters are a potential market for future housing construction.
- ▶ **Tourism and recreational opportunities** - There are tourism and recreational opportunities in the Lake Preston area including camping, hunting, fishing, etc. There are lakes in close proximity to Lake Preston.
- ▶ **Residential Development** - The City and the Lake Preston Economic Development Corporation have preliminary plans to develop the old nursing home site for residential housing.
- ▶ **New Employer** - A new employer is planning to build a facility in the Lake Preston area which will create jobs and increase the demand for additional housing.



## **Barriers or Limitations to Housing Activities**

Our research also identified the following barriers or limitations that hinder or prevent certain housing activities in Lake Preston.

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The area's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Value-gap deters new owner-occupied construction** - Based on market values from residential sales in 2020, we estimate that the median priced home in Lake Preston is valued at approximately \$70,975. This is below the comparable cost for new housing construction, which will generally be above \$200,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes.
- ▶ **Proximity to Brookings, Huron, Watertown and Madison** - Although it is a strength to be located near these cities, it is also a barrier as Lake Preston must compete with these cities, which offer attractive residential opportunities, employment and other amenities and services.
- ▶ **Lower paying jobs** - Although Lake Preston has several large employers, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Limited commercial options** - Lake Preston has commercial and retail options to meet daily needs, however, it has limited other retail and commercial opportunities.
- ▶ **Available lots** - Currently, there are only a few lots available for new housing construction.
- ▶ **Staff capacity limitations** - Although the City has access to several housing and economic development agencies, it is difficult to develop and implement housing initiatives with limited staff resources.
- ▶ **Competition from rural and lake shore lot opportunities** - There are rural/lake home building options within the immediate area which provide competition for lot sales and home construction within the City.

## **Recommendations, Strategies and Housing Market Opportunities**

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Lake Preston. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New housing construction will more likely occur in Lake Preston if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Lake Preston will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Lake Preston has many assets including a pre-school-12 school, employers, a downtown commercial district, medical facilities, tourism and recreational opportunities, etc. These are strong assets that make Lake Preston a desirable community to live in, and are key components to the City's long-term success and viability. These assets must continue to be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past, the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the First District Association of Governments, Inter-Lakes Community Action Agency, Inc., Grow South Dakota, Homes Are Possible, Inc., Dakota Resources and the Brookings Housing and Redevelopment Commission. These resources should be accessed as needed to assist with housing.

## **Summary of Findings/Recommendations**

The findings/recommendations for the City of Lake Preston have been formulated through the analysis of the information provided in the previous sections and include 20 recommendations. The findings/recommendations have been developed in the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family Housing Development**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Issues**

The findings/recommendations for each category are as follows:

### **Rental Housing Development**

1. Develop 12 to 14 general occupancy market rate rental units
2. Develop five to six additional general occupancy moderate rent/income restricted or subsidized rental housing units
3. Consider the development of 10 to 12 senior with independent/light services units
4. Promote the development/conversion of two to four affordable market rate rental housing units
5. Develop a downtown mixed-use commercial/housing project
6. Continue to utilize the Housing Choice Voucher Program

### **Home Ownership**

7. Utilize and promote all programs that assist with home ownership
8. Consider the development and implementation of a purchase/rehabilitation program

**Single Family Housing Development**

9. Lot availability and lot development
10. Strategies to encourage continued residential lot sales and new home construction in Lake Preston
11. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing
12. Promote twin home/townhome development

**Housing Rehabilitation**

13. Promote rental housing rehabilitation
14. Promote owner-occupied housing rehabilitation efforts

**Other Housing Issues**

15. Development of the nursing home site
16. Acquire and demolish dilapidated structures
17. Create a plan and a coordinated effort among housing agencies
18. Encourage employer involvement in housing
19. Strategies for Commercial District Redevelopment/Development
20. Develop home ownership and new construction marketing programs

# **Lake Preston - Recommendations Rental Housing Development**

## **Rental Housing Development**

**Overview:** In recent decades it has been difficult to produce new rental housing units that are viewed as “affordable” when compared to existing rental housing. A number of factors, including federal tax policy, state property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most South Dakota communities.

From 2010 to 2021, no rental units have been constructed in Lake Preston. However, some single family homes may have converted from owner-occupancy to rental use over the past decade.

Demand for new rental housing is typically generated from three factors:

- ▶ Growth from new households
- ▶ Replacement of lost units
- ▶ Pent-up demand from existing households

Our household projections for Lake Preston from 2020 to 2025 do not forecast overall household growth. However, it is projected that there will be a 19-household gain in the 65 and older age ranges. Also, a slight growth of three households is projected over the 35 to 44 age range. With household growth from the 65 and older and 35 to 44 age ranges, we are expecting a demand of approximately eight to 10 additional rental units due to household growth over the next five years in Lake Preston.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose approximately one to two units per year. As a result, approximately five to 10 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units may also be lost due to rental units converting to owner occupancy.

Pent-up demand also exists. As part of this study, a rental survey was conducted. The survey found one vacancy in the 14 general occupancy market rate units and five vacancies in the subsidized units. The newest rental units in the City, Mainview West, are almost always fully occupied. The assisted living project, Silver Plains, reported no vacancies at the time of the survey.

We identified pent-up demand for market rate rental units, two and three-bedroom subsidized units and independent/light services units.

As stated earlier, Lake Preston’s number of households are projected to remain relatively stable through 2025. With only limited projected household growth within a few defined age ranges, we are recommending several strategies to develop a healthy rental market in Lake Preston. The strategies include:

- ▶ **Increase the population of Lake Preston** - The City of Lake Preston, the Lake Preston Economic Development Corporation, and all the stakeholders should continue to implement all strategies possible to increase the City’s population including job creation, marketing the community, assuring a healthy housing stock, etc. These efforts will continue to make the City attractive and viable.
- ▶ **Rehabilitate rental housing** - Much of the rental housing stock in Lake Preston was constructed in the 1970s and 1980s. Some of this rental housing stock needs rehabilitation. Rental rehabilitation programs should be created to rehabilitate the rental projects, when it is economically feasible.
- ▶ **Demolish dilapidated rental housing** - Rental housing that is substandard and no longer feasible for renovation, should be demolished and eliminated from the rental housing stock.
- ▶ **Develop new rental housing** - New rental housing can achieve several goals which include:
  - ▶ Addresses pent-up demand for certain housing types
  - ▶ Upgrades the overall quality of the rental stock
  - ▶ Increases the City’s rental rate and quality
  - ▶ Addresses gaps in the City’s rental stock
  - ▶ Attracts new households to the City
  - ▶ Retains households in the City

Based on the factors stated above, we recommend the development of 29 to 36 new rental units over the next five years from 2021 to 2026.

▶ General Occupancy Market Rate	12-14 units
▶ Income-restricted/Subsidized	5-6 units
▶ Affordable/Conversions	2-4 units
▶ Senior Independent/Light Services	<u>10-12 units</u>
▶ Total	29-36 units

## **1. Develop 12 to 14 general occupancy market rate rental units**

**Findings:** Approximately 65% of the rental housing in the City of Lake Preston can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

Of the 14 market rate rental units we surveyed, we found one vacancy. The managers of rental properties reported that they typically have high occupancy rates and strong demand for rental housing.

The existing rent in the City of Lake Preston including utilities is approximately \$500 for a one-bedroom unit and \$500 to \$625 for a two-bedroom unit.

From 2000 to 2021, no market rate rental projects were constructed in Lake Preston. However, some single family homes may have been converted from owner-occupancy to rental units.

**Recommendation:** As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for production of 12 to 14 market rate rental units over the next five years from 2021 to 2026.

Based on our research, there is a continued need for larger rental units, thus, the majority of the new units constructed over the next five years should be two and three-bedroom units.

Town home-style units or high quality apartment buildings are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities. It may be advantageous for new units to be constructed in smaller project phases.

There are two market rate rental segments in Lake Preston. One segment is seeking a high quality unit and can afford a higher rent. The second segment is seeking work force housing and a more modest rent. This segment may not qualify for subsidized or tax credit rental units, but affordability is still an issue.



There is a need to construct both types of market rate rental housing. There is a rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, financial assistance, such as land donations, tax abatement, tax increment financing and other resources may be needed.

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. If private developers do not proceed, the Lake Preston Housing and Redevelopment Commission or the Lake Preston Economic Development Corporation could potentially utilize essential function bonds, or similar funding sources, to construct market rate units.

Also, the Lake Preston Economic Development Corporation or the Lake Preston Housing and Redevelopment Commission could partner with private developers to construct additional units. The City could assist with land donations, tax increment financing, tax abatement, reduced water and sewer hookup fees, etc. Additionally, the DakotaPlex Program may be available to assist the City, a housing or economic development agency, or a private developer with the construction of market rate rental housing.

**Recommended unit mix, sizes and rents for the Lake Preston Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	4	650 - 750	\$750 - \$900
Two Bedroom	4-5	850 - 1,000	\$750 - \$950
Three Bedroom	4-5	1,100 - 1,200	\$875 - \$1,050
Total	12-14		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2021 dollars.

It may also be possible to utilize Housing Choice Vouchers if some of the tenants meet income requirements and the rents are at or below Payment Standard Rents. The 2021 Payment Standard Rents are \$679 for a one-bedroom unit, \$791 for a two-bedroom unit and \$1,132 for a three-bedroom unit.

## **2. Develop five to six additional general occupancy moderate rent/income restricted or subsidized rental units**

**Findings:** Over the past few decades, resources have not generally been available for new subsidized housing construction. Instead, the primary federal incentive program has been low income housing tax credits, which typically generates moderate rent housing that is income restricted. There are no tax credit projects that currently exist in Lake Preston.

The research completed for this Study identified two subsidized projects in Lake Preston. These projects include:

- ▶ **Lake Preston Housing** - Lake Preston Housing is a USDA Rural Development General Occupancy project with 32 units. Twelve units are one-bedroom and 20 units are two-bedroom. The units are in two locations. At the time of the survey, there were four vacant one-bedroom units.
- ▶ **Mainview West** - Mainview West is an eight-unit SDHDA HOME General Occupancy project constructed in 1997. Six of the eight units are subsidized and two units are market rate. All of the units are two-bedroom. At the time of the survey, there was one vacant unit.

Subsidized housing utilizes federal resources that provide a “deep subsidy”, allowing very low income people access to the housing at an affordable price.

There are additional “deep subsidy” resources available to Lake Preston residents through the tenant-based Housing Choice Voucher Program. The Vouchers allow tenants to pay approximately 30% of their income for housing in suitable private-market rental units. The Voucher Program for Lake Preston and Kingsbury County is administered by the Brookings Housing and Redevelopment Commission. Currently, the Voucher Program has a waiting list, of approximately six months. Several Lake Preston households are currently utilizing a Voucher.

The 2019 American Community survey estimated that approximately 10% of all renters in the City of Lake Preston were paying 30% or more of their income for rent.

**Recommendation:** We recommend that the City look to expand the supply of deep subsidy rental housing for lower income renters. Over the next five years, we recommend that the City attempt to construct five to six units that achieve a rent level that would be affordable to very low income households earning less than \$25,000 per year.

This recommendation represents a modest goal, however, over the past few decades, very few federal subsidy sources have been available for the construction of “deep subsidy” rental housing. The actual number of units that can be developed will be dependent upon access to financial resources. In the opinion of the analysts, the highest priority would be to create larger subsidized general occupancy units for families and younger households.

### **3. Consider the development of 10 to 12 senior independent/light services units**

**Findings:** The City of Lake Preston currently has one senior with services facility. Silver Plains Assisted Living is an assisted living project that opened for occupancy in 2006. The facility has 15 single rooms and is licensed for 16 assisted living beds. The assisted living beds have access to all assisted living services, including meals, medication distribution, bathing assistance, housekeeping, laundry, etc. At the time of the survey, the project was fully occupied.

Lake Preston also had a skilled nursing facility, however, the facility has closed and the building has been demolished.

**Recommendation:** In 2020, Lake Preston had approximately 125 people and 101 households over the age of 65, and Kingsbury County had approximately 1,170 people and 825 households over the age of 65. Lake Preston has a 16-bed assisted living project, but does not have a senior independent/light services project.

Therefore, we are recommending a 10 to 12-unit senior with services project in Lake Preston. The project should be designed for flexibility to allow seniors to live in a unit independently, or to rent a unit and utilize a low level of senior services such as a noon meal and housekeeping. Ideally the project would allow seniors to age in place and purchase home health care services as needed in the future. If possible, it would be advantageous for this project to be attached to, or in close proximity to, the existing assisted living center, which could allow for the delivery of light services.

The new project would be intended to complement the Silver Plains Assisted Living facility. The project is intended to provide a housing option that currently does not exist in Lake Preston.

The project's amenities and features should include:

- ▶ A community room
- ▶ 24-hour call system
- ▶ A limited access security system
- ▶ Smoke alarms
- ▶ Enclosed parking
- ▶ Spacious corridor with a theme such as a street scape design

Apartment features should include:

- ▶ 10 to 12 units
  - ▶ 7 to 8 one-bedroom
  - ▶ 3 to 4 two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services that could be provided by community organizations or agencies include:

- ▶ noon meal
- ▶ weekly housekeeping
- ▶ home health care
- ▶ social activities

Tax increment financing, tax abatement, land donations, low interest loans and/or other subsidies and incentives could be utilized to make the project financially feasible.

It is estimated that 50% of the units will be occupied when the project opens and one to two additional units will be rented each following month for an absorption period of four to five months.

We recommend that a developer planning the construction of a senior with services project should have a specific study conducted.

**4. Promote the development/conversion of two to four affordable market rate rental housing units**

**Findings:** The first recommendation addressed the market potential to develop high quality rental units in Lake Preston. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of Lake Preston’s renter households have an annual income below \$25,000. These households would need a rental unit at \$625 per month or less.

There is evidence that Lake Preston has lost rental housing over the years due to redevelopment, conversion to home ownership or due to deterioration and demolition. Part of the need for additional rental units in Lake Preston is to provide for unit replacement. Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

**Recommendation:** We encourage the City to promote the development/conversion of more affordable rental units. A goal of two to four units over the next five years would help to replace affordable housing that has been lost.

It would be difficult to create affordable units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in downtown buildings, or through the purchase and rehabilitation of existing single family homes. Several single family homes have been rehabilitated for rental housing by local individuals.

The estimated prevailing rent range for older rental units in Lake Preston is typically between \$400 and \$650 per month. Creating some additional units with contract rents below \$650 per month would help to expand the choices available to a majority of the City’s renter households.

It is probable that a low rent structure for some units could only be obtained with financial commitments from other sources, such as tax increment financing or property tax deferral from the City, or from other financial resources from funding agencies such as the South Dakota Housing Development Authority.

## **5. Develop a downtown mixed-use commercial/housing project**

**Findings:** A mixed-use rental housing/commercial project in the Downtown area would complement the City's ongoing efforts to maintain a vibrant downtown.

New mixed use projects have been developed in several cities comparable to the size of Lake Preston. Some of these projects were developed because of market demand while others were developed to enhance the downtown, to introduce a new product to the market and to serve as a catalyst for downtown redevelopment.

**Recommendation:** We recommend the development of a mixed-use building in the downtown Lake Preston area. There are several potential sites in the downtown area for a mixed-use project.

We recommend commercial space on the first floor and rental units on the second floor. Prior to construction, a portion of the commercial space should be leased to an anchor tenant who would complement existing downtown businesses and attract people and be an asset to downtown.

The rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily one-bedroom and two-bedroom units. Please note that these units are not in addition to the units recommended in the prior recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

Ideally, a private developer would construct and own the building. The City may have a role in the project by providing a land parcel at a reduced price, tax increment financing, tax abatement or other local funds.

## **6. Continue to Utilize the Housing Choice Voucher Program**

**Findings:** The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute approximately 30% of their income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community.

Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the past two decades. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

The Housing Choice Voucher Program is administered in Lake Preston and Kingsbury County by the Brookings Housing and Redevelopment Commission. There currently is approximately a six-month waiting list to obtain a Voucher.

**Recommendation:** The Brookings Housing and Redevelopment Commission should work with rental property owners/managers and renter households to assure that renters are aware of the Housing Choice Voucher Program and have the opportunity to apply for assistance.

# **Lake Preston - Home Ownership Recommendations**



## **Home Ownership**

**Findings:** Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Lake Preston is estimated to be approximately \$70,975 based on 2020 sales activity. The home values in Lake Preston provide a good opportunity for first time buyers and households seeking moderately priced homes.

From 2020 to 2025, the 65 and older age ranges are forecast to add 19 households and the 25 to 44 age ranges are projected to remain stable. Some households in all age ranges that have not been able to achieve the goal of home ownership may need the assistance of housing programs to help them purchase a home.

To assist in promoting the goal of home ownership, the following activities are recommended:

### **7. Utilize and promote all programs that assist with home ownership**

**Findings:** We believe that affordable home ownership is one of the issues facing Lake Preston in the future. Home ownership is generally the preferred housing option for most households and most communities. There are a number of strategies and programs that can be used to promote home ownership programs, and can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. The City of Lake Preston has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that a large majority of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

While these individual home ownership assistance programs may not generate a large volume of new ownership activity, the combination of below-market mortgage money, home ownership training, credit counseling, and down payment assistance may be the mix of incentives that moves a potential home buyer into home ownership.

**Recommendation:** Lake Preston should continue to work with area housing agencies, the South Dakota Housing Development Authority, USDA Rural Development and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City of Lake Preston, the Lake Preston Housing and Redevelopment Commission, and the Lake Preston Economic Development Corporation should also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority, and the Federal Home Loan Bank. Also, Homes Are Possible, Inc. (HAPI) and Grow South Dakota utilize several funding sources to provide home ownership programs.

## **8. Consider the development and implementation of a Purchase/Rehabilitation Program**

**Findings:** Lake Preston has a limited stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that there are a significant number of homes in Lake Preston that are valued at less than \$75,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

Some communities with a stock of older homes that need rehabilitation have developed a purchase/rehabilitation program. Under a purchase/rehabilitation program, the City or a housing agency purchases an existing home that needs rehabilitation, rehabilitates the home, sells the home to a low/moderate income family and provides a mortgage with no down payment, a low/no interest rate and a monthly payment that is affordable for the family.

In some cases, the cost of acquisition and rehab will exceed the house's after-rehab value, thus, a subsidy is needed. Although a public subsidy may be involved, the cost to rehab and sell an existing housing unit is generally lower than the subsidy required to provide an equally affordable unit through new construction.

**Recommendation:** We recommend that the City of Lake Preston or the Lake Preston Economic Development Corporation work with the South Dakota Housing Development Authority and area housing agencies to consider the development and implementation of a Purchase/Rehabilitation Program. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, a large majority of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

Because a purchase/rehabilitation program can be expensive and its cost effectiveness in some cases may be marginal, it may be advantageous to directly assist low and moderate income households with purchasing and rehabilitating homes. Local housing agencies and financial institutions could offer some rehabilitation assistance in conjunction with first-time home buyer programs to make the City's older housing a more attractive option for potential home buyers. USDA Rural Development also provides purchase/rehabilitation loans for low and moderate income buyers.

Also, some private individuals on a limited basis have purchased homes in Lake Preston, rehabbed the homes and sold the homes. There may be an opportunity for housing agencies to financially assist the private sector with purchasing, rehabilitating and selling the homes. This may increase the inventory of substandard homes that can economically be rehabilitated and sold.

A purchase/rehabilitation program achieves several goals. The program encourages home ownership, prevents substandard homes from becoming rental properties and rehabilitates homes that are currently substandard.

# **Lake Preston - New Housing Construction**

## **New Housing Construction**

**Findings:** Lake Preston has experienced single family owner-occupied housing construction from 2010 to 2020. According to City and Census Bureau records, over the past 11 years approximately 11 single family owner-occupancy units were constructed in Lake Preston, for an average of one new housing unit per year.

From 2010 to 2015, only one single family unit was constructed. However, from 2016 to 2020, 10 single family units were constructed, which is an average of two units per year.

The City's amenities, employment opportunities and the potential development of attractive residential lot options, should result in the continued construction of new homes annually.

Overall household projections for Lake Preston indicate demand for owner-occupancy housing construction. Lake Preston is projected to gain approximately 19 households in the 65 and older ranges from 2020 to 2025. Households in these age groups tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes.

The 44 and younger age ranges are expected to remain stable through 2025. Some of the households in these age ranges are first time home buyers or are looking for trade-up housing. It is our opinion that if the City, the Lake Preston Economic Development Corporation, housing agencies, employers and builders are proactive, 10 to 14 homes can be constructed in Lake Preston from 2021 to 2026.

This projection is based on the ongoing availability of lots for single family homes and twin homes/town homes at all price ranges.

The breakdown of our projection of 10 to 14 new owner-occupied housing units over the next five years is as follows:

▶ Higher & medium price homes	2-3 homes
▶ Affordable homes	6-7 homes
▶ Twin homes/town homes	<u>2-4 units</u>
Total	10-14 homes/units

## **9. Lot Availability and Lot Development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in Lake Preston. Buildable lots are defined as having sewer, water and streets available to the lots.

The Silver Plains Subdivision currently has one remaining lot available for sale from \$20,000 to \$30,000. An additional lot has been sold, but a home has not yet been built on the lot.

The Lake Preston Economic Development Corporation has purchased the nursing home site and is planning to develop the site for housing. Preliminary plans indicate that the site can accommodate approximately 10 to 12 lots.

There are also a few infill lots that are potentially available in the City. Additionally, there may be a few dilapidated houses in the City that could be demolished and the cleared lots could potentially be suitable for new construction.

**Recommendation:** We use a standard that a 2.5-year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that two to three houses will be constructed annually, an adequate supply of lots would be five to eight lots. With only one lot available in the Silver Plains Subdivision, and the potential availability of a few infill lots, there is not currently an adequate lot supply in Lake Preston. However, if the nursing home site is developed, there will be an adequate number of lots available in Lake Preston.

The City of Lake Preston and the Lake Preston Economic Development Corporation should continue to plan the development of the nursing home site, and also continue to identify sites for future lot development.

## **10. Strategies to encourage continued residential lot sales and new home construction in Lake Preston**

**Findings:** From 2010 to 2020, 11 owner-occupancy single family units were constructed in Lake Preston. Ten of the 11 homes have been constructed from 2016 to 2020.

**Recommendation:** We recommend that the City of Lake Preston, the Lake Preston Economic Development Corporation, developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

Our recommendations to continue to promote lots sales and housing development include:

- ▶ ***Competitive pricing*** - There are lots available in communities throughout the region. To attract new home construction in Lake Preston, lots should continue to be available and competitively-priced compared to other options in the region.
- ▶ ***User-Friendly*** - The lot purchase and home building process must continue to be 'user friendly.' This includes an inventory of available lots, the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Long-term planning*** - The City of Lake Preston and the Lake Preston Economic Development Economic Corporation should continue long-term development planning to assure lots are available on an ongoing basis to meet demand for all types of new housing.
- ▶ ***Promote spec home construction*** - Spec houses attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy.
- ▶ ***Incentives*** - Some cities and counties throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, cash incentives, etc. Incentives should be considered to promote new home construction.

- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivision. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities should be marketed for affordable homes.
- ▶ ***Marketing*** - The City of Lake Preston and all housing stakeholders will need to continue marketing the sale of available lots and new home construction. Developers, realtors, financial institutions, builders, employers, the Lake Preston Economic Development Corporation, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Lake Preston and its amenities should continue to be marketed.
- ▶ ***Governors Homes*** - Governors Homes are a more affordable housing option and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.'
- ▶ ***Manufactured/modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.
- ▶ ***In-fill lot Home Development*** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.
- ▶ ***Partnership with the South Dakota Housing Development Authority (SDHDA)*** - SDHDA has housing programs available to assist builders and home buyers. The City should work with SDHDA and regional housing agencies to develop a plan that includes programs and strategies to sell lots and construct homes.



**11. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing**

**Findings:** There are several housing agencies and nonprofit groups that may have the capacity to construct new housing in Lake Preston, including the Lake Preston Economic Development Corporation, the Lake Preston Housing and Redevelopment Commission, Grow South Dakota, Interlakes Community Action Partnership and HAPI, Inc.

**Recommendation:** We encourage the City of Lake Preston to actively work with economic development and housing agencies and nonprofit groups to develop affordable housing. Some of the affordable housing could be developed on in-fill lots.

Interlakes Community Action Partnership administers the Mutual Self Help Program, which works with three or more households to construct new homes. The households work together to construct the homes. The development of the Mutual Self Help Program should be considered.

Also, households should be encouraged to utilize the Governor’s Program.

**12. Promote twin home/townhome development**

**Findings:** Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options.

In many cities the size of Lake Preston, approximately 20% to 25% of the new ownership housing constructed are twinhomes/townhomes. In Lake Preston, we are not aware of any owner-occupied twin homes or town homes that have been constructed from 2010 to 2021.

In 2020, Lake Preston had approximately 180 households and Kingsbury County had approximately 1,310 households in the 55 and older age ranges. These age ranges are expected to have an increase of approximately 11 households in Lake Preston and 60 households in Kingsbury County from 2020 to 2025. Household growth among empty-nester and senior households should result in increased demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product’s ability to gain additional market acceptance among the households in the prime target market, and among younger households.

**Recommendation:** It is our projection that approximately two to four new owner-occupancy twin home or townhome units could be constructed in Lake Preston over the next five years. Our projection is based on the availability of an ideal location for twin home development as well as high quality design and workmanship. There are plans to develop twinhome lots on the nursing home site.

We recommend that for twin home/townhome development to be successful, the following should be considered:

- ▶ Senior friendly home designs
- ▶ Maintenance, lawn care, snow removal, etc. all covered by an Association
- ▶ Cluster development of a significant number of homes which provides security
- ▶ Homes at a price that is acceptable to the market

Lake Preston's role could include assuring that adequate land is available for development and that zoning allows for attached housing construction.

A corporation was developed in Arlington, MN, that included local contractors, the local bank, the local lumberyard and local investors to construct twin homes. They have been very successful.

It may be advantageous to meet with a group of empty nesters and seniors who are interested in purchasing a twin home to solicit their ideas.

# **Lake Preston - Housing Rehabilitation**

## **Housing Rehabilitation**

**Findings:** Lake Preston has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

It is our opinion that Lake Preston and area housing agencies will need to make housing rehabilitation a priority in the future. New housing construction that has occurred is often in a price range that is beyond the affordability level for many Lake Preston households. Housing options for households at or below the median income level will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, there is a chance that this affordable stock could shrink, creating an even more difficult affordability situation.

The following specific recommendations are made to address the housing rehabilitation needs.

### **13. Promote rental housing rehabilitation**

**Findings:** Based on the American Community Survey, the City of Lake Preston had approximately 109 rental units in 2020. These rental buildings are in multi-family projects, small rental buildings and single family homes. Approximately 39% of these rental units are more than 40 years old and could benefit from rehabilitation as some of these rental structures are in need of renovation.

It is difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants. However, the rehabilitation of older rental units can be one of the most effective ways to preserve decent, safe and sanitary affordable housing.

**Recommendation:** The City of Lake Preston, the Lake Preston Economic Development Corporation and the Lake Preston Housing and Development Commission should work with rental property owners and housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, Grow South Dakota, HAPI, Inc., the South Dakota Housing Development Authority and the Federal Home Loan Bank.

Some communities have also established rental housing registration programs that require periodic inspections to assure that rental units meet applicable codes and standards.

#### **14. Promote owner-occupied housing rehabilitation efforts**

**Findings:** The affordability and quality of the existing housing stock in Lake Preston will continue to be an attraction for families that are seeking housing in Lake Preston. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Approximately 75% of the owner-occupied single family homes in Lake Preston are more than 40 years old.

Our 2021 housing condition survey of the 260 homes in Lake Preston found 90 homes that need minor repairs and 46 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock may shrink in Lake Preston.

**Recommendation:** We recommend that the City of Lake Preston, the Lake Preston Economic Development Corporation and the Lake Preston Housing and Redevelopment Commission seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority, the Federal Home Loan Bank, Interlakes Community Action Partnership, Grow South Dakota and HAPI, Inc. are potential funding sources.

Interlakes Community Action Partnership currently has several housing programs to assist households with the rehabilitation of their homes including the Self Help Rehabilitation Program and programs utilizing HOME funds.

Some programs offer households that meet program requirements, a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Lake Preston households to utilize these housing rehabilitation programs.

# **Lake Preston - Other Housing Initiatives**

## **Other Housing Initiatives**

### **15. Development of the nursing home site**

**Findings:** The Lake Preston Economic Development Corporation is planning to develop the nursing home site. The proposed development may include single family and multi-family development.

The intent of this Housing Study is to provide a comprehensive analysis and overall housing recommendations for the entire City of Lake Preston. Therefore, we did not conduct an analysis or housing recommendation for a specific site or a specific development. However, the proposed nursing home site appears to be a competitive site for several of the new housing construction recommendations included in this Study.

**Recommendation:** New housing construction recommendations that could be included in the proposed development are:

- ▶ Single family housing development - The Study forecasts the construction of eight to 10 single family detached homes over the next five years.
- ▶ Twin home/town home - The Study projects the development of two to four twin home/town home units over the next five years.
- ▶ The Study recommends the following rental units over the next five years that may be compatible with the parcel's development plans. These units include:
  - ▶ General occupancy market rate - 12 to 14 units
  - ▶ Subsidized/income-restricted - 5 to 6 units
  - ▶ Senior market rate independent/light services - 10 to 12 units

As stated previously, Community Partners Research, Inc., has not analyzed the site, proforma information, etc. Also, there are other parcels and lots in the City that may be available for new housing construction.

## **16. Acquire and demolish dilapidated structures**

**Findings:** The housing condition survey identified 22 single family houses that may be too dilapidated to rehabilitate. We also identified 46 single family homes in Lake Preston that need major repair, and some of these may also be too deteriorated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished.

**Recommendation:** The City of Lake Preston and the Lake Preston Economic Development Corporation should continue to work with property owners on an ongoing basis to demolish dilapidated homes. The appearance of the City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots could be utilized for the construction of new housing units or for homes to be moved onto the cleared lots.

Additionally, we recommend that the City maintain an inventory of structures that may be candidates for future demolition. Also, an inventory of in-fill lots for future development should be maintained.

## **17. Create a plan and a coordinated effort among housing agencies**

**Findings:** Lake Preston will continue to need staff resources in addition to existing staff to plan and implement many of the housing recommendations advanced in this Study. The City of Lake Preston has access to the USDA Rural Development Office, the South Dakota Housing Development Authority, Interlakes Community Action Partnership, the First District Association of Governments, Grow South Dakota, Homes Are Possible, Inc., and Dakota Resources. These agencies all have experience with housing and community development programs.

**Recommendation:** Lake Preston has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the City prioritize the recommendations of this Study and develop a plan to address the identified housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs and projects.



It will also be important for the City of Lake Preston to continue to look for opportunities to work cooperatively with other area cities to address housing issues. With the number of cities in the Region, and limited staff capacity at both the city and county levels, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

## **18. Encourage employer involvement in housing**

**Findings:** The City of Lake Preston has several employers. On an ongoing basis, the City and the Lake Preston Economic Development Corporation have been working with existing employers to expand and for new employers to locate in Lake Preston. The connection between economic development and housing availability has become an increasingly important issue as low area unemployment rates dictate the need to attract new workers into the community.

Although the jobs being created may have good wages for the area, many jobs do not pay wages sufficient for workers to buy or improve their housing. Housing for new employees is a concern for most employers. It may be advantageous for employers to become involved in housing.

**Recommendation:** We recommend an ongoing effort to involve employers as partners in addressing Lake Preston's housing needs. Several funding sources have finance programs that include employers. Additionally, the funding agencies often view funding applications favorably that include employers in the problem solving process.

Employer involvement can include direct assistance to their employees such as a grant, loan, forgivable loan, deferred loan, down payment assistance, loan guarantee, etc. In many cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as an affordable residential subdivision or an affordable rental project.

Additionally, employers can continue to support other city projects, such as parks, trails, ball fields, educational facilities, etc., that will have a positive impact on housing in Lake Preston.

## **19. Strategies for Downtown Redevelopment/Development**

**Findings:** Lake Preston has a commercial district that addresses many of the daily retail/commercial needs of its residents. Lake Preston has buildings that have been renovated and have high quality commercial space. There are also buildings that have not been maintained and are substandard.

This recommendation provides an outline of actions that could be taken to continue downtown redevelopment, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement building rehabilitation and renovations. The purpose of this recommendation is to continue to build on the City's successes.

When households are selecting a city to purchase a home in, they often determine if the city's commercial sector is sufficient to serve their daily needs. A viable commercial district is an important factor in their decision making process.

**Recommendation:** We are recommending the following actions for downtown Lake Preston:

- ▶ Interview all commercial district property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the commercial district (potential new businesses, address parking needs, continue to develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each property in the commercial district and each commercial district block. This may include:
  - ▶ Retention of existing businesses
  - ▶ Commercial building rehab and renovations
  - ▶ Facade work
  - ▶ Building demolition
  - ▶ New construction
  - ▶ Recruiting new businesses

- ▶ Identify funding sources
  - ▶ Property owner funds
  - ▶ City funds
  - ▶ Lake Preston Economic Development Corporation funds
  - ▶ Federal Home Loan Bank
  - ▶ Special tax districts
  - ▶ Funds from South Dakota State Agencies
  - ▶ Sales Tax Funds
  
- ▶ Work with stakeholders to identify roles, to secure funding, to develop and implement programs and projects
  - ▶ Property owners
  - ▶ City of Lake Preston
  - ▶ Lake Preston Economic Development Corporation
  - ▶ Lake Preston Housing and Redevelopment Commission
  - ▶ First District Association of Governments

## **20. Develop home ownership and new construction marketing programs**

**Findings:** Cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and lots on the market, local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

**Recommendation:** The City of Lake Preston, the Lake Preston Economic Development Corporation and the Lake Preston Housing and Redevelopment Commission have all been active in promoting and marketing housing and we recommend the continuation or initiation of the following:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers to provide employees (especially new employees) with housing opportunities in Lake Preston and the region
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Work with developers and builders to make lot development and the construction of new homes a very user-friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services housing, etc.
- ▶ Review the City's policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies

## **Agencies and Resources**

The following regional and state agencies administer programs or provide funds for housing programs and projects:

### **InterLakes Community Action Partnership**

505 North Western Avenue  
Sioux Falls, SD 57104  
(605) 334-2808  
Contact: Dana Whitehouse

### **First District Association of Governments**

121 1<sup>st</sup> Ave. NW  
Watertown, SD 57201  
(605) 882-5115

### **Homes Are Possible, Inc.**

320 S. Main St.  
Aberdeen, SD 57401  
(605) 225-4274

### **South Dakota Housing Development Authority**

1720 4<sup>th</sup> St. NE Suite 2  
Watertown, SD 57201  
(605) 886-8202

### **USDA Rural Development**

2408 East Benson Road  
Sioux Falls, SD 57104  
(605) 996-1564

### **Brookings Housing and Redevelopment Commission**

1310 Main Ave. S., Suite 106  
P.O. Box 432  
Brookings, SD 57006  
(605) 692-1670

### **Grow South Dakota**

414 3<sup>rd</sup> Avenue  
Sisseton, SD 57262  
(605) 698-7654  
Contact: Marcia Erickson, Executive Director